

Message Text

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ACTION SCI-06

INFO OCT-01 EUR-25 EA-11 IO-14 ISO-00 ACDA-19 CIAE-00

INR-10 L-03 NSAE-00 NSC-10 RSC-01 FEA-02 PM-07 SS-20

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INFO AMEMBASSY BERN

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AMEMBASSY STOCKHOLM

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AMEMBASSY TOKYO

AEC GERMANTOWN 1053

USMISSION IAEA VIENNA UNN

C O N F I D E N T I A L SECTION 1 OF 2 EC BRUSSELS 0377

AEC PASS TO A. FRIEDMAN, DIP

E. O. 11652: GDS

TAGS: TECH, TGEN, EEC, US

SUBJECT: EUROPEAN URANIUM ENRICHMENT PLANT

REF: A) STATE 245034; B) PARIS 1242; C) PARIS 1477

1. SUMMARY. PAUL LOCHAK, PRESIDENT OF SOCIETE INTERNATIONAL
DE TECHNOLOGIE, MET WITH THE SENIOR AEC REPRESENTATIVE IN
BRUSSELS ON JANUARY 15, AND PROVIDED A REVIEW OF HIS ACTIVITIES
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STARTING ABOUT NOVEMBER 1973 UP TO THE PRESENT TIME IN SEEKING

A COOPERATIVE ARRANGEMENT BETWEEN THE US AND A EUROPEAN ORGANIZATION IN THE CONSTRUCTION OF A DIFFUSION PLANT. THE PRESENT SITUATION, AS PRESENTED BY LOCHAK, IS: 1) CEA CONTINUES TO PRESS FOR AN ALL FRENCH PLANT BUT THE ORGANIZATION DES PRODUCTEURS D'ENERGIE NUCLEAIRE (IPEN -- A GROUP OF EUROPEAN UTILITIES) HAS GREST CONCERNS AND STRONG DESIRES TO AVOID A FRENCH DOMINATED VENTURE; 2) A NEW APPROACH WILL LIKELY BE MADE THROUGH EURODIF TO EXPLORE THE POSSIBILITIES OF A COOPERATIVE ARRANGEMENT WITH THE US; AND 3) EURODIF WILL LIKELY PROCEED REGARDLESS OF THE OUTCOME OF THAT APPROACH, ALTHOUGH THE TIME SCHEDULE COULD SLIP ONE OR EVEN TWO YEARS IF THERE IS SUFFICIENT PROMISE OF A COOPERATIVE ARRANGEMENT WITH THE US.

2. A SEPARATE BUT DIRECTLY RELATED MEETING OCCURRED ON SEPTEMBER 16 WITH MR. P. NIHOUL, PLANNING DIRECTOR OF THE BELGIAN POWER GROUP INTERCOM AND THE NEW CHAIRMAN OF OPEN, IN WHICH SOME OF THE ABOVE WAS CONFIRMED AND SOME INTERESTING COMMENTS ABOUT LOCHAK'S ACTIVITIES WERE GIVEN. A MAJOR DIFFERENCE EMERGED, HOWEVER, IN VIEWS EXPRESSED OF THE NATURE OF OPEN. END SUMMARY

3. THE VISIT BY PAUL LOCHAK WAS ARRANGED AT HIS REQUEST WHILE HE WAS VISITING BRUSSELS ON OTHER BUSINESS. HIS INVOLVEMENT IN THE ENRICHMENT PICTURE WAS THOROUGHLY EXPLORED. THE FOLLOWING REPORT REFLECTS LOCHAK'S STATEMENT AND VIEWS EXCEPT WHERE SPECIFICALLY NOTED.

4. SOCIETE INTERNATIONALE DE TECHNOLOGIE (SIT) IS THE NEW NAME OF A FRENCH ENGINEERING CONSULTANT FIRM WHICH WAS ORIGINALLY FORMED AROUND 1964 BY THE AMERICAN ARCHITECTURAL ENGINEERING FIRM GIBBS AND HILL AT A TIME WHEN LOCHAK'S FATHER WAS PRESIDENT OF THE FIRM. THE NEW COMPANY OPERATES ALMOST EXCLUSIVELY IN FRANCE AND HAS AS A MAJOR CLIENT ELECTRICITE DE FRANCE (EDF), AS DID THE ORIGINAL GIBBS AND HILL GROUP. OWNERSHIP IS CONSIDERED PRIVATE, WITH THE CONTROL CLEARLY EUROPEAN, AOTHOUGH ONE OR TWO AMERICAN HAVE SOME FINANCIAL INTEREST. THE GROSS ICOME OR SIZE OF SIT WAS NOT REVEALED. WHILE LOCHAK IS AN AMERICAN CITIZEN, THE COMPANY WHICH HIS FATHER FORMED AND WHICH PAOUL LOCHAK NOW HEADS IS A EUROPEAN ENGINEERING CONSULTATION FIRM DOING BUSINESS EXCLUSIVELY IN EUROPE AND PREDOMINANTLY IN FRANCE.

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5. ONE OF THE PRIMARY INTERESTS IN SIT ORIGINALLY AND STILL TODAY IS TO BRING US TECHNOLOGY TO EUROPE. TO THIS END, ONE OF ITS FUNCTIONS IS TO ACT AS THE EYES AND EARS OF EDF IN THE US. LOCHAK'S SPECIFIC INTEREST AND INVOLVEMENT IN THE ENRICHMENT FIELD CAME ABOUT AS A RESULT OF HIS INFORMAL CONTACTS WITH EDF AND OTHER EUROPEAN UTILITY PEOPLE DURING WHICH CONCERN WAS EXPRESSED OVER THE FRENCH DOMINATION OF EURODIF.

6. FOLLOWING A STUDY OF THE EUROPEAN ENRICHED URANIUM SUPPLY-DEMAND PICTURE OPEN WAS FORMED ON DECEMBER 1, 1973, BY EUROPEAN UTILITIES HAVING PRESENT OR PLANNED ACTIVITIES WITH NUCLEAR POWER PLANTS. OPEN HAS AUTHORITY FROM THOSE UTILITIES TO ACT AS A SINGLE PURCHASING AGENT OF ENRICHED URANIUM SERVICES FOR ALL THE MEMBERS. THE INTENT IS TO USE THIS LARGE PURCHASING POWER BY OPEN TO COUNTER THE FRENCH DOMINANT ROLE IN EURODIF THROUGH CEA. PIERRE WYART, IN HIS FORMER CAPACITY AS A SENIOR OFFICIAL IN EDF, WAS THE DRIVING FORCE BEHIND OPEN'S OPPOSITION TO THE FRENCH DOMINATED EURODIF.

7. WYART'S PRINCIPAL OBJECTIVE, WEARING HIS EDF HAT, AS WELL AS THE INTEREST OF THE OTHER EUROPEAN UTILITIES IN OPEN, IS HAVING A RELIABLE SUPPLY OF PRODUCT. PRICE IS NOT A MAJOR FACTOR. THE DESIRE FOR COOPERATION WITH THE US IS TO ENSURE THAT THE EUROPEAN DIFFUSION PLANT WOULD OPERATE AS DESIGNED AND THAT A BACK-UP WOULD BE AVAILABLE FOR TECHNOLOGY AND EVEN THE SUPPLY OF PRODUCT IN CASE AN MISHAP OCCURRED. AVOIDING ANOTHER CONCORDE WITH EUROPEAN UTILITIES THE VICTIM WAS CLEARLY IN MIND. WYART THEREFORE ASKED LOCHAK TO TEST THE CLIMATE IN THE US FOR COOPERATION IN THE PLANNED EUROPEAN ENRICHMENT PLANT IN ORDER TO HELP TO ASSURE THE DESIRED RELIABILITY OF SUPPLY THEY WERE SEEKING.

8. POLITICAL INFIGHTING BETWEEN THE COMMISSARIAT A L'ENERGIE ATOMIQUE (CEA) AND EDF IN FRANCE RESULTED IN A PUBLIC STATEMENT BY WYART THAT COOPERATION WITH THE US WAS DESIRED BY OPEN. SHORTLY AFTERWARDS THE FRENCH GOVERNMENT FORMALLY ANNOUNCED IT WAS PROCEEDING WITH EURODIF. CEA'S POSITION IS THAT FRANCE SHOULD NOT ASK FOR US COOPERATION IN DIFFUSION TECHNOLOGY UNLESS IT IS CERTAIN THAT IT WOULD BE GIVEN BECAUSE FAILURE TO GET COOPERATION WOULD INDICATE TO ITS EURODIF PARTNERS THAT

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FRANCE NEEDED HELP AND COULDN'T GET IT. IN SPITE OF THIS CEA POSITION. OPEN IS USING ITS WEIGHT AS A SINGLE PURCHASING AGENT FOR ESSENTIALLY ALL OF EUROPE'S ENRICHMENT REQUIREMENTS TO FORCE A EURODIF INITIATIVE TO SEEK US COOPERATION IN THEIR DIFFUSION PLANT. CEA IS ACCUSING OPEN OF UNDERMINING ITS CREDIBILITY AND OPEN IS ACCUSING CEA OF MISLEADING FRENCH GOV
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NSF-04 SPC-03 DODE-00 PA-04 USIA-15 PRS-01 EB-11

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INFO AMEMBASSY BERN

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9. THE INITIATIVE BY WYART, THROUGH LOCHAK'S NUMEROUS VISITS AND CONTACTS IN WASHINGTON, TO HAVE TH USAEC RELAX ITS DECEMBER 31, 1973 DEADLINE WAS TO COUNTER SOME OF CEA'S PROPAGANDA THAT THE USAEC WAS ATTEMPTING TO CONTINUE ITS WORLD MONOPOLY POSITION BY REQUIRING CUSTOMERS TO SIGN LONG TERM CONTRACTS. WYART RECOGNIZED THAT THE DECEMBER 31, 1973 DEADLINE WAS MAINLY A PSYCHOLOGICAL ONE FOR EUROPEAN CUSTOMERS SINCE EURODIF WOULD NOT BE OPERATING IN TIME TO PROVIDE THE REQUIRED SERVICE BY JULY 1, 1978, AND HE KNEW THAT PREPRODUCTION AT PIERRELATTE, PLUS A BACK-UP RESERVE FROM THE USSR, WOULD HAVE
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BEEN INSUFFICIENT ASSURANCE FOR UTILITIES TO SIGN CONTRACTS WITH EURODIF RATHER THAN THE USAEC EVEN IF THE DECEMBER 31, 1973 DEADLINE DATE HAD BEEN EXTENDED. LOCHAK SAID THAT AEC CHAIRMAN RAY AND UNDER SECRETARY OF STATE CASEY ADVISED HIM BY TELEPHONE IN DECEMBER 1973 THAT THE DECEMBER 31, 1973 DEADLINE WAS BEING EXTENDED AND THEREFORE THE DECEMBER 22 LETTER FROM ERLEWINE TO WYRART INFORMING HIM THAT THE DEADLINE WAS NOT BEING EXTENDED WAS A GREAT SURPRISE.

10. WYRART HAS NOW RETIRED FROM EDF BUT IS STILL THE REAL

OPERATING HEAD OF OPEN. HE INTENTIONALLY ARRANGED FOR A NON-FRENCH PRESIDENT OF OPEN, MR. NIHOUL, BUT THIS IS FOR PRACTICAL PURPOSES AN HONORARY POSITION. THE DESIRE TO HAVE A NON-FRENCH PRESIDENT WAS TO ASSURE EUROPEAN UTILITIES AS WELL AS THE US THAT OPEN WOULD NOT BE FRENCH DOMINATED. WYART WILL CONTINUE TO BE ACTIVE IN THIS FIELD AS A CONSULTANT TO EDF.P

11. AS INDICATED ABOVE, THE STATEMENTS IN PARAGRAPHS 4-12 REPRESENT INFORMATION AND VIEWS PROVIDED BY LOCHAK. IN THE SEPARATE MEETING WITH MR. NIHOUL ON JANUARY 16, HE STATED OPEN DOES NOT HAVE THE BUYING POWER FOR ITS MEMBERS THAT OCHAK INDICATED WAS BEING USED TO PRESSURE CEA INTO A COOPERATIVE ARRANGEMENT WITH THE US. AT THIS STAGE OPEN IS STILL A STUDY ORGANIZATION.

12. NIHOUL IS CONVINCED THAT EURODIF HAS SUFFICIENT SUPPORT FROM ITS EUROPEAN MEMBERS, PLUS THE JAPANESE ORDER (REFTEL B), TO PROCEED AS ANNOUNCED. NVERTHELESS, THE EUROPEAN UTILITIES THROUGH OPEN WWOULD WELCOME AND STRONGLY DESIRE A COOPERATIVE ARRANGEMENT BETWEEN THE US AND EURODIF. THIS DESIRE IS BEING PURSUED THROUGH THE INDIVIDUAL MEMBER GOVERNMENTS.

13. MR. NIHOUL WAS QUESTIONED ABOUT THE POSSIBILITY OF OVERSUPPLY IF EURODIF COMPLETED A 9000 TON PLANT BY 1980. HIS VIEW WAS THAT NEW NUCLEAR POWER REQUIREMENTS, SOME LIKELY SLIP IN THE PLANT COMPLETION DATE, AND A COOPERATIVE ARRANGEMENT WITH THE US WOULD AVOID A MAJOR PROBLEM.

14. LOCHAK HAD PROVIDED NIHOUL WITH A LIST OF ALL OF HIS APPOINTMENTS IN THE US DURING NOVEMBER AND DECEMBER 1973. (A COPY IS BEING SENT TO STATE, PARIS AND AEC.) THE LIST INCLUDES APPOINT-

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MENTS WITH HIGH LEVEL OFFICIALS AT THE WHITE HOUSE, OMB, STATE, AEC, FPC, AND THE JOINT CONGRESSIONAL COMMITTEE ON ATOMIC ENERGY. NIHOUL INDICATED THAT LOCHAK PROVIDED THE LIST OF APPOINTMENTS TO OPEN TO SUPPORT HIS STATEMENTS ABOUT US ATTITUDES AND INTEREST IN A COOPERATIVE ARRANGEMENT WITH EUROPE IN A DIFFUSION PLANT. NIHOUL SPECIFICALLY ASKED WHETHER LOCKAK WAS IN A POSITION TO SPEAK FOR TH US ON THIS SUBJECT. WE ASSURED HIM HE WAS NOT.

15. COMMENT: THE ABOVE REPORT OF THESE DISCUSSIONS IS INTENDED MAINLY TO PROVIDE SOME CLARIFICATION OF THE CONTINUING CONFUSING PICTURE ON THE EUROPEAN ENRICHMENT SCENE. WHILE THE MAUORITY OF PEOPLE WHOM WE HAVE CONTACTED BELIEVE EURODIF WILL PROCEED AS ANNOUNCED TO BUILD A 9000 TONS DIFFUCION PLANT FOR OPERATION BY 1980, THERE IS LITTLE TANGIBLE EVIDENCE THAT FRANCE'S EURODIF PARTNERS HAVE COMMITTED THEIR SHARE OF THE LARGE CAPITAL INVESTMENT REQUIRED. AT THE VERY TIME THE ENERGY CRISIS IS ADDIONG MOMENTUM TO THE ALREADY PLANNED MOVE TOWARD NUCLEAR

POWER, EACH EUODIF PARTNER MAY BE HARD PRESSED TO COMMIT ITS SHARE OF THE REQUIRED 1.5 TO 2.0 BILLION DOLLARS FOR THE EUODIF PLANT. ONE BELGIAN SOURCE ADVISED THT BELGIAN AGREEMENT TO A TEN PERCENT SHARE IN EUODIF WOULD BE CONDITIONED UPON THE SALE BY BELGIUM OF TEN PERCENT OF THE REQUIRED 2500 MWE POWER DEMAND AND UPON BELGIAN SUPPLY OF TEN PERCENT OF THE REQUIRED PLANT COMPONENTS. IF OTHER EUODIF PARTNERS IMPOSE SIMILAR CONDITIONS THIS WILL ONLY FURTHER COMPLICATE AN ALREADY DIFFUCULT AND VERY EXPENSIVE UNDERTAKING.

16. CEA'S DOMINANT ROLE IN EUODIF AND ITS RELUCTANCE TO SEEK OR PERMIT OTHER THAN VERY LIMITED US INVOLVEMENT IN THE PROJECT, IS LIKELY TO REMAIN AN OBSTACLE TO ANY COOPERATIVE ARRANGEMENT DEVELOPING WITH THE US. IN SPITE OF THE FACT THAT THE MAJORITY SHARE OF EUODIF WILL BE HELD BY NON-FRENCH PARTNERS, THEY SEEM TO LACK SUFFICIENT CONTROL OR LEADERSHIP TO IMPOSE THEIR DESIRE FOR A FULLY COOPERATIVE ARRANGEMENT WITH THE US. ONE CONSIST POSITION SHARED BY ALL EUROPEAN UTILITIES IS THE INTENT TO HAVE AN ENRICHMENT PLANT IN EUROPE WITH THE PRICE OF PRODUCT AND SOURCE OF THE TECHNOLOGY LESS IMPORTANT THAN A RELIABLE INDEPENDENT SOURCE OF SUPPLY.

17. ROME 0661 AND MADRID 0365 MAY PARTLY REFLECT THE EFFORT BY
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OPEN UTILITY MEMBERS TO HAVE THEIR GOVERNMENTS INDICATE INTEREST IN A COOPERATIVE ARRANGEMENT WITH THE US IN EUODIF. THE OTHER FEATURES OF MADRID 0365 ABOUT POSSIBLE INVESTMENT IN AN ENRICHMENT PLANT IN THE US IS LIKELY AN OPTION MORE SATISFACTORY TO THE UTILITY MANAGEMENT THAN THE GOVERNMENTS.

18. THE DESIRE EXPRESSED BY NIHOUL FOR A COOPERATIVE ARRANGEMENT WITH THE US, INCLUDING EVEN BACKUP SUPPLY OF MATERIAL, INTRODUCES A NEW FEATURE OF COOPERATION NOT REPORTED BEFORE. IT CLEARLY REFLECTS THE FOCUS ON ASSURING A RELIABLE SOURCE OF SUPPLY AND IMPLIES SOME CONCERN WHETHER THE FRENCH CAN, ON THEIR OWN, DELIVER A WELL ENGINEERED AND OPERATING 9000 TONNE GASEOUS DIFFUSION PLANT WHICH WOJLD BE A SCALE-UP OF SOME 20-FOLD OVER PIERRELATTE.

19. THERE REMAINS, OF COURSE, THE URENCO CENTRIFUGE PROJECT WHICH, COMPLETELY INDEPENDENT OF EUODIF, SEEMS TO BE PROCEEDING ON SCHEDULE TO HAVE 2000 TONNES OF CAPACITY BY 1980. THE EUROPEAN UTILITIES SEEM TO BE QUITE WILLING TO SUPPORT URENCO'S FAIRLY MODEST OBJECTIVES, EVEN THOUGH THERE IS STILL ONLY LIMITED ACCEPTANCE THAT THE CENTRIFUGE IS A PROVEN AND RELIABLE SYSTEM.

20. PERHAPS THE BEST CONCLUSION THAT CAN BE DRAWN IS THAT PRESENTED BY LOCHAK AS DESCRIBED IN PARAGRAPH 1 ABOVE, ALTHOUGH EVEN THIS CONCLUSION SEEMS TOO SIMPLE AND OBVIOUS IN THE CON-

FUSING PICTURE THAT ACTUALLY EXISTS ON THE EUROPEAN ENRICHMENT
SCENE.GDS.GREENWALD

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